



Internal Audit Summary

Property Records – Fixed Asset Tracking Process and
Accountability

Audit

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Table of Contents

Introduction.....	3
Background.....	3
Objectives	3
Scope and Methodology	4
Summary of Observations and Recommendations	5
Acknowledgements.....	6
Management Responses.....	6
Observations and Recommendations	7
Opportunities for Enhancement	27

Introduction

Jefferson County Public Schools (the District) Internal Audit department co-sourced with Plante Moran, PLLC to perform an audit of the District's Property Records Asset Tracking Process and Accountability Practices. This review was included in the 2025-26 Audit Plan approved by the Jefferson County Board of Education in accordance with the *Internal Audit Charter*.

Background

Property Records is responsible for maintaining information related to District fixed assets throughout the asset lifecycle. The District defines fixed assets as real or personal, standalone property with an estimated useful life greater than one year and an original cost of \$1,000 or more. Effective November 13, 2024, the District's capitalization threshold for new assets increased to \$5,000. Assets below this threshold that were capitalized prior to this date continue to follow their established tracking treatment, and depreciation schedules.

The Property Records team is organized under Supply Services and is composed of three Property Records Technicians. Each Property Records Technician is assigned a portfolio of schools, central office buildings, bus compounds, and other special locations for asset identification, tagging, Munis recording, transfers, retirements, and biennial physical inventory. Each Technician is assigned approximately 70 locations.

Fixed asset activities across the District are performed under a decentralized model. Responsibilities are distributed between Property Records, school-based personnel, and central office departments, and the roles supporting fixed asset activities at the school level vary by school and by asset type, such as the Bookkeeper, Secretary, Ordering and Receiving Clerk, School Technology Coordinator, or Plant Operator. The District is also moving to a centralized bookkeeper model for elementary and high schools for FY 2027. These cost center/location-based personnel are relied upon to record receipt of fixed assets in Munis, notify Property Records when tagged assets are received, complete Equipment Transfer Forms or Equipment Transfer Request Forms when assets are moved between cost centers/locations, and submit Surplus Pickup Forms when assets are no longer needed.

The Kentucky Department of Education (KDE) issued the KDE Capital Asset Guide to assist districts in developing capitalization policies consistent with GASB Statement 34. Board Policy 4.7, Inventories, incorporates this state-level guidance into District policy, directing the District to adhere to KDE's property inventory procedures and to refer to the KDE Capital Asset Guide in establishing capitalization thresholds. The State Mandated Fixed Asset Guidelines are the District's document for operationalizing these requirements, setting the District's \$1,000 tagging threshold and serving as the District's authoritative reference for fixed asset processes. The guidelines outline the definition of a fixed asset, the tagging and capitalization threshold, definitions and examples of asset categories, and state that the Principal, Cost Center Head, or Location Supervisor are responsible for fixed assets at their respective location. The guidelines also describe procedures for accepting donations and gifts, the process for reporting damaged, lost, stolen, or transferred fixed assets, the biennial inventory expectation, and the forms used to support transfers and disposals.

Objectives

The primary objective of the Property Records Asset Tracking Process and Accountability audit was to assess whether the processes and controls established by Property Records are designed and operating effectively to ensure that:

- District assets are identified, recorded, and tagged in a timely and consistent manner
- Asset information is accurately maintained within the system of record (e.g., Munis)
- Asset transfers, disposals, and other changes are properly reported, recorded, and supported
- Roles, responsibilities, and accountability for asset tracking are clearly defined and understood

Scope and Methodology

Scope

The review covered Property Records processes regarding the identification, recording, and tracking of district assets during July 2024 - June 2026, including the handling of asset additions, transfers, and disposals. The review considered applicable JCPS policies, procedures, and system practices in place during the review period. Procurement and purchasing decisions were excluded from the scope.

Methodology

An understanding of the process was obtained through interviews with Warehouse Distribution and Property Records' personnel. The interviews covered the end-to-end process for identifying, tagging, recording, transferring, updating, and disposing of fixed assets, including the physical inventory process. A risk evaluation was performed, which informed the following testing procedures:

- Examined a sample of purchase orders that included line items meeting the District's fixed asset definition and \$1,000 tagging threshold to assess timely tagging and Munis entry.
- Examined a sample of fixed asset additions recorded in Munis to assess the accuracy of recorded information against supporting documentation.
- Examined a sample of locations subject to physical inventory to assess whether the biennial inventory cycle was performed, whether inventory results were documented and communicated to location leadership, and whether follow-up on unlocated assets was completed.
- Examined a sample of retirements to assess whether Surplus Pickup Form authorization was obtained at the location, whether disposition authorization was communicated by the Supervisor of Assets, Surplus, and Auction Services, and whether Munis retirements were processed timely following authorization.
- Conducted on-site fixed asset inspections at 9 District locations to verify the accuracy and completeness of fixed asset records in Munis by confirming that selected assets recorded in Munis existed at the assigned location and that selected assets observed at District locations were appropriately recorded in Munis.
- Assessed Munis Capital Assets module access permissions against role expectations.
- Conducted interviews with select principals and bookkeepers regarding their understanding of fixed asset responsibilities.

The following is a summary of the observations and recommendations found during the audit. Details of each are included in the report along with responses provided by Management to address the recommendations.

Summary of Observations and Recommendations

Observations

- **Observation 1: Roles, Responsibilities, and Training for Fixed Assets at the Cost Center/Location Level (Risk Rating: High).** Roles and responsibilities for fixed assets at the school/cost center level have not been clearly communicated, resulting in inconsistent alignment with District guidelines and Property Records' expectations.
- **Observation 2A: Designated Point of Contact and Accountability Structure (Risk Rating: High).** No designated point of contact exists for day-to-day fixed asset responsibilities at the cost center/location level, and physical inventories are not performed at leadership transitions to establish a baseline of accountability.
- **Observation 2B: Escalation, Non-Response, and Consequence for Fixed Asset Accountability (Risk Rating: High).** Cost center/location leaders do not consistently respond to Property Records requests regarding missing or unlocated assets within the two-week timeframe established by the State Mandated Fixed Asset Guidelines.
- **Observation 3: Biennial Physical Inventory Coverage Across District Cost Centers/Locations (Risk Rating: High).** Complete physical inventories have not been consistently performed across all District locations within the expected biennial cycle.
- **Observation 4: Clarity of Board Policy 4.7 Reporting Expectations for Physical Inventory Results (Risk Rating: High).** Board Policy 4.7, Inventories, does not establish whether the annual reporting of inventory results to the Superintendent and the Board is a requirement or an expectation or who is responsible for performing it, and the reporting has not been requested of or defined for Property Records.
- **Observation 5: Formal Written Procedures for Property Records Activities (Risk Rating: Moderate).** Property Records does not maintain formal written procedures for key fixed asset activities performed by the team.
- **Observation 6: Use of Required Equipment Transfer and Surplus Pickup Forms (Risk Rating: Moderate).** Schools and departments do not consistently complete the required forms when fixed assets are transferred or removed, and Property Records is not notified of these movements at the time they occur.
- **Observation 7: Authorization and Reconciliation of Fixed Assets at the Surplus Warehouse (Risk Rating: Moderate).** Fixed assets processed through the Surplus Warehouse are not consistently supported by retained written authorization or documented in Munis in a manner reflecting the asset's physical custody and disposition status.
- **Observation 8: Timely, Complete, and Accurate Recording of Fixed Asset Information in Munis (Risk Rating: Moderate).** Processes for recording fixed asset additions, retirements, transfers, and location information do not consistently ensure that Munis reflects the complete, accurate, and current status of District assets.
- **Observation 9: Identification of Donated Fixed Assets (Risk Rating: Low).** Donated fixed assets meeting the District's \$1,000 tagging threshold are not identified through a recurring review of centrally maintained donation information.
- **Observation 10: Fixed Asset Disposition Protocol for Closures, Consolidations, or Moves (Risk Rating: Low).** Fixed assets associated with cost center/location closures, consolidations, or moves may be redistributed before required documentation is completed or Property Records is notified.

Recommendations

- ✓ **Recommendation 1:** Update the State Mandated Fixed Asset Guidelines and related training materials to clearly define day-to-day fixed asset responsibilities at the cost center/location level.
- ✓ **Recommendation 2A:** Designate a named responsible party and asset manager at each cost center/location for day-to-day fixed asset activities.
- ✓ **Recommendation 2B:** Communicate the role, authority, and expectations of Property Records District-wide, including the expectation for a written response to Property Records within two weeks.
- ✓ **Recommendation 3:** Develop and implement a documented physical inventory strategy to achieve inventory coverage across cost centers/locations on a defined cadence.
- ✓ **Recommendation 4:** Coordinate with the Chief Financial Officer and Legal to clarify and define the physical inventory reporting requirements within Board Policy 4.7, Inventories.
- ✓ **Recommendation 5:** Develop and maintain formal written procedures for key fixed asset activities performed by the Property Records team.
- ✓ **Recommendation 6:** Identify authorized signers for the Equipment Transfer Form, Equipment Transfer Request Form, and Surplus Pickup Form within the State Mandated Fixed Asset Guidelines.
- ✓ **Recommendation 7:** Complete a reconciliation of assets physically present at the Surplus Warehouse against Munis records and establish a recurring cadence going forward.
- ✓ **Recommendation 8:** Have Purchasing review commodity codes for items meeting the District's fixed asset definition to ensure they automatically apply the capital asset indicator in Munis.
- ✓ **Recommendation 9:** Establish a coordinated process with the Resource Development Department to obtain reporting of Board-approved donations on a defined periodic basis.
- ✓ **Recommendation 10:** Coordinate with Operations leadership to obtain a listing of planned closures, consolidations, and moves each school year.

Acknowledgements

Warehouse Distribution and Property Records' personnel along with participating school-based personnel should be commended for their cooperation, transparency, and responsiveness during interviews, sample-based testing, and physical inspection procedures throughout the engagement.

The Property Records team demonstrated a strong commitment to the stewardship of District assets in support of fiscal accountability and safeguarding of District property. For inventories that were performed, results were consistently documented and communicated to location contacts, including Principals, Bookkeepers, and Cost Center Heads. In addition, the team demonstrated due diligence in following up on unlocated assets, including multiple outreach attempts to verify recovered items.

Management Responses

Management concurred with 11 of 11 recommendations and agreed to implement 11 of 11 recommendations.

Observations and Recommendations

Observation 1:

Condition: Roles, Responsibilities, and Training for Fixed Assets at the Cost Center/Location Level (Risk Rating: High). Roles and responsibilities for fixed assets at the school/cost center level have not been clearly communicated, resulting in inconsistent alignment with District guidelines and Property Records' expectations. Examples included personnel who were unaware of the \$1,000 tagging threshold, unfamiliar with the State Mandated Fixed Asset Guidelines, unclear on the expectation to notify Property Records when assets over \$1,000 are received, and inconsistent in their understanding of who is responsible for approving surplus forms.

Criteria: The State Mandated Fixed Asset Guidelines assign responsibility for fixed assets to the Principal, Cost Center Head, or Location Supervisor and require actions such as tagging assets valued at \$1,000 or more, notifying Property Records of assets received over that threshold, approving surplus forms, and providing notification and written response for donated, lost, stolen, transferred, or missing assets.

Cause: The District has not established formal training or documented day-to-day guidance (e.g., a Standard Operating Procedure (SOP) separate from the State Mandated Fixed Asset Guidelines) covering fixed asset responsibilities for cost center/location-based personnel. As a result, awareness of expectations may vary across schools and departments and is vulnerable to turnover among staff responsible for fixed assets. Inconsistent understanding of fixed asset responsibilities may contribute to untimely or incomplete reporting of receipts, transfers, surplus activity, and missing assets, reducing process consistency and completeness and accuracy of the Munis fixed asset register.

Recommendation 1:

- ✓ Update the State Mandated Fixed Asset Guidelines (i.e., develop SOPs) and related training materials to clearly define the day-to-day fixed asset responsibilities of Principals, Cost Center Heads, Location Supervisors, cost center/location-based personnel with fixed asset responsibilities, centralized bookkeepers, and Property Records.
 - At a minimum, the updated guidance should address the \$1,000 tagging threshold, expectations for notifying Property Records upon receipt, holding assets until tagged, procedures for reporting donated, lost, stolen, transferred, or surplus assets, the role authorized to sign each applicable form, signing off after Property Records performs a physical inventory, and accountability for assets at each cost center/location.
- ✓ Establish and maintain a standard protocol for fixed asset communication with the designated point of contact at each cost center/location established in Observation 2A, covering notification when assets are received, documentation of where assets are held, identification of the appropriate on-site contact for asset access, and school visit scheduling to enable on-site tagging.
 - Because designated points of contact are likely to include centralized bookkeeping personnel (e.g., ordering/receiving clerks, bookkeepers) at locations participating in the Finance Support Center centralization initiative, coordinate directly with the centralized bookkeeping team to align this protocol as centralization expands to additional schools.
- ✓ Deliver initial and periodic refresher training to each cost center/location point of contact designated under the accountability structure established in Observation 2A to support a clear understanding of their assigned responsibilities and expectations.
 - Refresher training should be provided periodically and when designated personnel change and should include practical examples relevant to their role.

- To reinforce expectations between formal training sessions, Property Records should share recurring communications, such as a newsletter directed to cost center/location points of contact and cost center/location leadership.

Property Records Corrective Action Plan:

Property Records concurred and agreed to implement the following recommendations:

- Update the State Mandated Fixed Asset Guidelines and related training materials.
- Establish and maintain a standard protocol for fixed asset communication with the designated point of contact at each cost center/location.
- Deliver initial and periodic refresher training to each cost center/location point of contact.

Target Implementation Date: July 1, 2027

Finance Support Center Corrective Action Plan:

Finance Support Center concurred and agreed to implement the recommendation to establish and maintain a standard protocol for fixed asset communication with the designated point of contact at each cost center/location.

Target Implementation Date: October 31, 2026

Observation 2A:

Condition: Designated Point of Contact and Accountability Structure (Risk Rating: High).

No designated point of contact exists for day-to-day fixed asset responsibilities at the cost center/location level. School personnel provided differing responses regarding who is responsible for asset receipt, tagging support, transfer initiation, surplus submission, and missing-item follow-up. Additionally, physical inventories are not performed when a Principal, Cost Center Head, or Location Supervisor transitions into a role, so incoming leaders receive no documented baseline of the assets for which they are accountable.

Criteria:

The State Mandated Fixed Asset Guidelines assign responsibility for fixed assets to the Principal, Cost Center Head, or Location Supervisor. COSO Internal Control – Integrated Framework Principle 3 states that management should establish, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.

Cause:

The District does not maintain a roster of designated responsible parties by cost center/location; Property Records identifies a point of contact through informal knowledge or outreach at the time of each request rather than through a documented, maintained assignment. Additionally, physical inventories are not performed at the time of leadership transition, so no baseline exists to establish what a new leader is accountable for going forward. Without a documented point of contact below the cost center/location leader, day-to-day fixed asset activities (receipt, tagging, transfers, surplus, missing-item follow-up) may be performed inconsistently or not at all, and the absence of a transition baseline makes it difficult to attribute losses or discrepancies to a specific point in time, reducing the completeness and reliability of the fixed asset record.

Recommendation 2A:

- ✓ Designate named responsible parties at each cost center and location. In coordination with Property Records, each cost center or location should formally designate the responsible cost center/location leader (Principal, Cost Center Head, or Location Supervisor) and a named asset manager responsible for fixed asset receipt, tagging support, notifying Property Records of receipts, transfer initiation, surplus submission, physical inventory participation, signing off on the physical inventory results, and missing-asset follow-up.
 - The State Mandated Fixed Asset Guidelines should identify recommended asset manager roles by cost center/location type and outline the expectation for the cost center/location leader to notify Property Records in writing when designees change. Property Records should maintain the District-wide roster and coordinate with Human Resources to assess whether reporting of Principal or Cost Center Head changes can also support timely updates.
- ✓ Within a defined period (i.e., four weeks) following leadership transitions, a physical inventory should be completed for the fixed assets recorded to that cost center/location, with results communicated in writing to both the outgoing and incoming leader.
 - The transition inventory may be completed by the cost center/location in alignment with the cost center/location-led process described in Observation 3, or performed by Property Records using a risk-based approach targeting higher-value assets and categories with higher theft likelihood. If a physical inventory was completed within a defined recent timeframe, those results may be relied upon in place of a new count; the incoming leader should acknowledge receipt in writing to establish the baseline of assets for which they are accountable going forward.
 - Unresolved unlocated assets attributable to the outgoing leader's tenure should be recorded in the District-level unlocated asset log established under Observation 2B.

Property Records Corrective Action Plan:

Property Records concurred and agreed to implement the following recommendations:

- Designate named responsible parties at each cost center and location.
- Following leadership transitions, complete a physical inventory for the fixed assets recorded to that cost center/location.

Target Implementation Date: July 1, 2027

Observation 2B:

Condition: Escalation, Non-Response, and Consequence for Fixed Asset Accountability (Risk Rating: High). Cost center/location leaders do not consistently respond to Property Records requests regarding missing or unlocated assets within the two-week timeframe established by the State Mandated Fixed Asset Guidelines. Of the 5 Property Records physical inventories tested during the testing period, 2 (40%) required cost center/location leaders sign-off regarding missing assets, and neither responded; for 1 of these, Property Records requested that a JCPS Police Department report be filed, but documentation evidencing completion of the report was not provided. Additionally, of 198 fixed assets across 9 locations selected from Munis and physically verified, 65 (33%) could not be located at the time of the site visit.

Criteria:

The State Mandated Fixed Asset Guidelines require the Principal or Cost Center Head to provide a written response within two weeks regarding the whereabouts of missing items. COSO Internal Control – Integrated Framework Principle 5 states that management and the board should establish mechanisms to communicate and hold individuals accountable for performance of internal control responsibilities across the District and implement corrective action as necessary.

Cause:

The role, authority, and expectations of Property Records have not been communicated District-wide through the Superintendent's cabinet, Board policy, or supervisory expectations, so Property Records requests are not consistently prioritized at the cost center/location level. Additionally, no escalation protocol identifies when non-response is elevated beyond the Principal, Cost Center Head, or Location Supervisor, filing of JCPS Police Department reports for missing assets is left to cost center/location discretion and cannot be enforced by Property Records, and no District-level consequence or reporting mechanism exists when assets cannot be located during a physical inventory. Because non-response to Property Records carries no defined consequence or escalation path, missing assets and physical inventory discrepancies may go unresolved and unrecovered, with no executive-level visibility into recurring non-compliance, increasing the risk that loss, misappropriation, or misuse of District property occurs and remains undetected.

Recommendation 2B:

- ✓ Communicate the role, authority, and expectations of Property Records District-wide. Working through the Superintendent's cabinet, issue communication to all cost center/location leaders that defines the purpose of the Property Records function, outlines the fixed asset responsibilities of cost center/location leaders, and confirms that a written response to Property Records within two weeks is an expectation of cost center/location leadership.
- ✓ Define an escalation protocol within the State Mandated Fixed Asset Guidelines. The protocol should establish Property Records follow-up timeframes and escalation procedures when a Principal, Cost Center Head, or Location Supervisor does not meet the responsibilities outlined in the guidelines, including instances where required information is not provided timely, requested actions are not completed, or a JCPS Police Department report is not submitted for missing assets with remaining book value, with unresolved matters escalated to the appropriate Assistant Superintendent or Cabinet member for follow-up and resolution.
- ✓ Implement a District-level missing asset log as the accountability mechanism. Property Records should maintain a log summarizing unresolved missing assets by cost center/location, remaining book value, responsible cost center/location leader at the time of loss, and JCPS Police Department report status.
 - Property Records should establish criteria for including an asset on the log and a defined dollar threshold, at either the individual asset or aggregate cost center/location level, above which items are reported to the Superintendent and the Audit and Risk Management Advisory Committee on a periodic cadence. Cost centers/locations exceeding the defined

threshold should be subject to remedial action, such as retraining, or prioritization for a physical inventory.

Property Records Corrective Action Plan:

Property Records concurred and agreed to implement the following recommendations:

- Communicate the role, authority, and expectations of Property Records District-wide.
- Define an escalation protocol within the State Mandated Fixed Asset Guidelines.
- Implement a District-level missing asset log as the accountability mechanism.

Target Implementation Date: July 1, 2027

Observation 3:

Condition: Biennial Physical Inventory Coverage Across District Cost Centers/Locations (Risk Rating: High). Complete physical inventories have not been consistently performed across all district locations. Inventories have not been completed at all high schools, middle schools, and central office or administrative locations and departments, and some elementary schools also have not been inventoried within the expected two-year cycle.

- Of 27 high schools, 6 were selected for testing. At 3 of the 6 high schools tested (50%), Property Records had completed inventory procedures limited to lunchroom assets within the two-year cycle; however, a complete physical inventory of fixed assets had not been performed. At the remaining 3 high schools tested (50%), Property Records had not performed a physical inventory within the two-year cycle.
- Of 26 middle schools, 2 were selected for testing. Property Records had performed a physical inventory within the two-year cycle for both schools tested (100%).
- Of 85 elementary schools, 10 were selected for testing. At 7 of the 10 schools tested (70%), Property Records had not performed a physical inventory within the two-year cycle.
- Of 72 central office and special locations, 5 were selected for testing. Property Records had not performed a complete physical inventory within the two-year cycle for any of the 5 locations tested (100%).

Criteria:

The State Mandated Fixed Asset Guidelines state that inventorying of fixed assets occurs biennially. Additionally, Board Policy 4.7, Inventories, requires a record of the location and value of all furniture and equipment belonging to the District to be maintained.

Cause:

Physical inventory coverage has been constrained by staffing capacity, prioritization of asset tagging as the volume of fixed assets increased in the District, and the complexity of certain facilities. As a result, asset existence, location, and completeness of Munis may not be validated consistently across the District. This increases the likelihood that missing, relocated, or unrecorded assets remain undetected and that Munis records are not complete and accurate. Reduced inventory frequency also limits the ability to hold school and department personnel accountable for assets under their control as of a known baseline date.

Recommendation 3:

- ✓ Develop and implement a documented physical inventory strategy that enables the District to achieve inventory coverage across cost centers/locations on a defined cadence. Property Records should either:
 - Apply a documented risk-based approach to inform the inventory cadence and prioritization for high-, moderate-, and low-risk cost centers/locations. Consider factors such as asset volume, prior inventory discrepancies, facility complexity, and the length of time since the last completed inventory. Higher-risk cost centers/locations should be inventoried more frequently, while lower-risk cost centers/locations may follow a longer cycle. Update the State Mandated Fixed Assets Guidelines accordingly.
 - Implement an annual cost center/location-led physical inventory model, in which each cost center or location completes a physical inventory of assets recorded at its cost center/location and reports results to Property Records for review and Munis update. Property Records should provide clear written instructions, training materials, and a reporting template to support consistent execution at the cost center/location level, and should perform periodic verification inventories at a risk-based sample of cost centers/locations. A preliminary estimate of the level of effort per cost center/location

should be developed to inform planning, communication with cost center/location leadership, and integration into annual responsibilities.

Property Records Corrective Action Plan:

Property Records concurred and agreed to the recommendation to develop and implement a documented physical inventory strategy that enables the District to achieve inventory coverage across cost centers/locations on a defined cadence.

Target Implementation Date: July 1, 2027

Observation 4:

Condition: Clarity of Board Policy 4.7 Reporting Expectations for Physical Inventory Results (Risk Rating: High). Board Policy 4.7, Inventories, does not clearly define requirements for reporting physical inventory results, including whether reporting to the Superintendent and Board is mandatory, who is responsible for preparing and submitting the report, and the information to be reported. Furthermore, reporting expectations have not been established or communicated to Property Records. Consequently, no District-level reporting summarizing physical inventory results was provided to the Superintendent or Board during the July 2024 through June 2026 review period.

Criteria:

Board Policy 4.7, Inventories, states that each school year, results of inventories shall be reconciled, coordinated, and reported to the Superintendent and the Board as required by the Chief Financial Officer. COSO Internal Control – Integrated Framework Principle 5 states that management and the board should establish mechanisms to communicate and hold individuals accountable for performance of internal control responsibilities across the District and implement corrective action as necessary.

Cause:

Reporting expectations have not been established by the Chief Financial Officer, and Board Policy 4.7 does not clearly define the reporting requirement, responsible party, or required content. As a result, Property Records has not been directed to compile and submit physical inventory results, and no monitoring process exists to verify that reporting occurs. Consequently, the Superintendent and Board lack visibility into inventory coverage and accountability across cost centers and locations, increasing the risk that inventory discrepancies and recurring non-responsiveness remain unresolved.

Recommendation 4:

- ✓ Coordinate with the Chief Financial Officer and Legal to revise Board Policy 4.7, Inventories, and establish a formal process for reporting physical inventory results to the Superintendent and Board.
 - The revised policy should clearly define whether annual reporting is required, assign responsibility for preparing and submitting the report, establish reporting timelines, and specify the information to be included.
 - Reporting requirements should include sufficient information to communicate inventory coverage, results, and recurring non-responsiveness by cost centers/locations.
 - The State Mandated Fixed Asset Guidelines should be updated to align with the revised policy and communicate accountability expectations to Property Records, Principals, Cost Center Heads, and Location Supervisors whose inventory results may be included in District-level reporting.
- ✓ Establish a process to monitor and verify that required reporting is completed and submitted to the Superintendent and Board in accordance with the established timelines.

Property Records Corrective Action Plan:

Property Records concurred and agreed to implement the following recommendations:

- Coordinate with the Chief Financial Officer and Legal to revise Board Policy 4.7, Inventories, and establish a formal process for reporting physical inventory results to the Superintendent and Board.

- Establish a process to monitor and verify that required reporting is completed and submitted to the Superintendent and Board in accordance with the established timelines.

Target Implementation Date: July 1, 2027

Observation 5:

Condition: Formal Written Procedures for Property Records Activities (Risk Rating: Moderate). Property Records does not maintain formal written procedures for key fixed asset activities performed by the team, including identification, tagging, additions, transfers, disposals, and physical inventory activities. The team follows the State Mandated Fixed Asset Guidelines; however, these guidelines outline overarching requirements rather than task-level procedures reflecting the team's day-to-day responsibilities.

Criteria:

COSO Internal Control - Integrated Framework Principle 12 states that the District should deploy control activities through policies and procedures that establish expectations and support consistent execution. Documented procedures also support knowledge retention and onboarding for key Property Records activities.

Cause:

The Property Records team relies primarily on institutional knowledge and on-the-job training rather than formally documented procedures. As a result, key activities may be performed differently across staff or over time, and process knowledge may be lost during turnover, increasing the likelihood of inconsistent execution, delays, and documentation gaps.

Recommendation 5:

- ✓ Develop and maintain formal written procedures for key fixed asset activities performed by the Property Records team, including asset identification, additions, tagging, Munis entry, transfers, surplus and disposal processing, lost or stolen asset reporting, physical inventory, follow-up on missing assets, and updates to asset location or status. Each procedure should describe the triggering event, responsible role, required documentation, system steps, review expectations, and evidence to be retained. Use the procedures for onboarding, cross-training, and ongoing reference to reduce reliance on institutional knowledge.
 - Assign responsibility for maintaining the procedures, establish a cadence for periodic review, and update them when process changes occur.

Property Records Corrective Action Plan:

Property Records concurred and agreed to implement the recommendation to develop and maintain formal written procedures for key fixed asset activities performed by the Property Records team.

Target Implementation Date: July 1, 2027

Observation 6:

Condition: Use of Required Equipment Transfer and Surplus Pickup Forms (Risk Rating: Moderate). Schools and departments do not consistently complete the Equipment Transfer Form, Equipment Transfer Request Form, or Surplus Pickup Form when fixed assets are transferred between cost centers/locations or removed from a cost center/location, and Property Records is not notified of these movements at the time they occur. Property Records typically identifies these events during a subsequent physical inventory or through direct outreach to the cost center/location, rather than through the required form. Testing identified the following:

- Of the 5 Property Records physical inventories tested that were completed during the testing period, 1 school (20%) completed fixed asset transfers without completing and submitting an Equipment Transfer Form to Property Records, and 1 school (20%) disposed of fixed assets without documentation that the items were submitted through the surplus process.
- Of 25 disposal samples tested, 10 (40%) were retired in Munis based on verbal confirmation from location personnel that the asset was no longer present, without a supporting Equipment Transfer Form or Surplus Pickup Form.
- Of 25 disposal samples tested, 6 had a Surplus Pickup Form on file. Of those 6, 4 (67%) were submitted without a signature and 1 (17%) was signed by a bookkeeper rather than the Principal, Cost Center Head, or Location Supervisor.
- Of 93 fixed assets across 9 locations observed and traced to Munis, 7 (8%) were physically located at a different site than the location recorded in Munis, indicating transfers that were not communicated to Property Records.

Criteria:

The State Mandated Fixed Asset Guidelines require use of the Equipment Transfer Form for fixed asset transfers between locations, the Equipment Transfer Request Form for applicable nutrition equipment transfers and use of the Surplus Pickup Form for the removal of any fixed asset from a location. The guidelines further state that Property Records must be informed about any fixed asset item that is transferred to another location so the JCPS fixed asset record can be updated.

Cause:

The responsibility to initiate the required forms rests with decentralized school and department staff. Recurring training on the use, purpose, and timing of the required forms has not been established (see Observation 1), and the State Mandated Fixed Asset Guidelines do not require cost centers/locations to designate an individual responsible for initiating transfer and surplus documentation (see Observation 2A) or identify authorized signatories for the Equipment Transfer Form, Equipment Transfer Request Form, and Surplus Pickup Form. As a result, transfers may be coordinated directly between cost centers/locations without notification to Property Records. Absent required documentation, assets disposed of or moved between cost centers/locations may remain recorded at the wrong site in Munis and Property Records lacks the evidence base needed to update Munis accurately and timely. The audit trail supporting fixed asset accountability at the cost center/location level is weakened, and the risk increases that transfers, disposals, or losses of District property occur and remain undetected.

Recommendation 6:

- ✓ Identify authorized signers within the State Mandated Fixed Asset Guidelines. The Guidelines should be updated to identify the Principal, Cost Center Head, or Location Supervisor (or their designated asset manager per Observation 2A) as the authorized signer for the Equipment Transfer Form, Equipment Transfer Request Form, and Surplus Pickup Form, and to require a signature on each form prior to Property Records processing.

- ✓ Require supporting documentation or written acknowledgement from the cost center/location leader prior to retirement in Munis. Property Records should retire assets in Munis only upon receipt of a completed Equipment Transfer Form, Surplus Pickup Form, or JCPS Police Department report, or a written acknowledgement that the items are missing without another explanation, as applicable.
- Where written authorization from the cost center/location leader cannot reasonably be obtained, Property Records should establish and document formal written guidelines defining the specific circumstances under which retirement may proceed without cost center/location leader acknowledgement, such as when a defined period elapses without response from the cost center/location leader following documented follow-up attempts and the asset exceeds a defined age threshold, or when the asset has no remaining book value.

Property Records Corrective Action Plan:

Property Records concurred and agreed to implement the following recommendations:

- Identify authorized signers within the State Mandated Fixed Asset Guidelines.
- Require supporting documentation or written acknowledgement from the cost center/location leader prior to retirement in Munis.

Property Records provided the following additional comment:

Would like to see some form of digital signature allowed, such as email verification/via the ticket entry system by designated users. Inventory Clean Up should be done on items that meet certain thresholds, such as value, or items that are obsolete and no longer supported. Items that meet these thresholds could be written off without cost center approval in such scenarios.

Target Implementation Date: July 1, 2027

Observation 7:

Condition: Authorization and Reconciliation of Fixed Assets at the Surplus Warehouse (Risk Rating: Moderate). Fixed assets processed through the Surplus Warehouse, including assets designated for disposal, auction, or held at the warehouse for reassignment, are not consistently supported by retained written authorization or documented in Munis in a manner that reflects the asset's physical custody and disposition status throughout the surplus process. Testing and walkthroughs identified the following:

- Of 6 disposal samples tested that were processed through the surplus process, 6 (100%) were retired in Munis without retained written authorization from the Supervisor of Assets, Surplus, and Auction Services. Authorization is communicated verbally from the Supervisor to the Property Records Technicians, and no form, email, or other written record is created or retained to support the Munis retirement.
- Assets transported to the Surplus Warehouse pending reassignment remain recorded in Munis at the sending cost center or location rather than at the Surplus Warehouse. Munis therefore does not reflect the assets currently under the physical custody at the Surplus Warehouse.
- Of 25 disposal samples tested, 1 asset (4%) had been retired in Munis but was confirmed during the audit to remain physically present at the Surplus Warehouse.

Criteria:

The State Mandated Fixed Asset Guidelines state that disposing of fixed assets requires authorization by the Director of Supply Services. COSO Internal Control – Integrated Framework Principle 10 states that the District should select and develop control activities that contribute to the mitigation of risks to the achievement of objectives, including safeguarding of assets.

Cause:

The District has not implemented control activities at the Surplus Warehouse to support authorization, custody, and reconciliation of assets pending final disposition or reassignment. Specifically:

- A defined workflow requiring written notification from the Supervisor of Assets, Surplus, and Auction Services to the Property Records Technicians prior to Munis retirement has not been implemented.
- A Surplus Warehouse location code exists in Munis, but Property Records does not update the Munis location field when an asset is transported to the warehouse because assets are often reassigned, auctioned, or disposed of shortly after arrival.
- A recurring reconciliation of Surplus Warehouse holdings to Munis records had not been established prior to the audit, so differences between physical custody and Munis status were not identified and corrected.

Without written authorization and end-to-end tracking of assets through the surplus process, the District cannot readily confirm that every asset entering the Surplus Warehouse is accounted for through its final disposition. Assets may be retired in Munis without retained evidence of authorization, assets designated for disposal or auction may not be retired in Munis on a timely basis, assets may be retired in Munis while remaining physically present at the Surplus Warehouse, and assets reassigned from the warehouse to another district location may not be reflected at the correct Munis location.

Recommendation 7:

- ✓ Complete a reconciliation of assets physically present at the Surplus Warehouse against Munis records, consistent with the reconciliation already planned for Fall 2026, and establish a recurring cadence going forward.
 - The reconciliation should identify assets that are physically present at the warehouse but retired in Munis, are recorded in Munis at a cost center or another district location but physically at the warehouse or are recorded in Munis at the Surplus Warehouse location code but not accounted for at the warehouse. Update Munis accordingly.
- ✓ The Supervisor of Assets, Surplus, and Auction Services should provide written authorization to the Property Records Technicians for fixed assets requiring retirement or location updates in Munis resulting from Surplus Warehouse activity. The authorization, delivered through a defined form or standard email template, should capture the asset tag number, description, action to be taken (retire or change of location), authorization date, and the Supervisor's attestation. The written authorization should be retained with the asset file. Approval authority within the State Mandated Fixed Assets Guidelines should be updated accordingly.
- ✓ Property Records should update the Munis location field to the Surplus Warehouse location code when an asset is transported to the warehouse for reassignment, so Munis reflects the physical custody of the asset until reassignment occurs.

Property Records Corrective Action Plan:

Property Records concurred and agreed to implement the following recommendations:

- Complete a reconciliation of assets physically present at the Surplus Warehouse against Munis records.
- The Supervisor of Assets, Surplus, and Auction Services should provide written authorization to the Property Records Technicians for fixed assets requiring retirement or location updates in Munis resulting from Surplus Warehouse activity.
- Property Records should update the Munis location field to the Surplus Warehouse location code when an asset is transported to the warehouse for reassignment.

Property Records provided the following additional comment:

The process to implement these recommendations has already started on recommendations 2 and 3 noted above.

Target Implementation Date: March 1, 2027 (reconciliation of assets present at Surplus Warehouse against Munis records); July 1, 2027 (written authorization for fixed assets requiring retirement or location updates; updates to Munis location field to Surplus Warehouse location when asset is transported for reassignment)

Observation 8:

Condition: Timely, Complete, and Accurate Recording of Fixed Asset Information in Munis (Risk Rating: Moderate). Processes for recording fixed asset additions, retirements, transfers, and location information do not consistently ensure that Munis reflects the complete, accurate, and current status of District assets. Opportunities exist to improve the timeliness, completeness, and accuracy of fixed asset records, as well as the documentation and communication processes used to support asset record updates. Testing and walkthroughs identified the following:

- Of 24 purchase orders selected for testing that included line items meeting the District's fixed asset definition and \$1,000 tagging threshold:
 - 4 samples (17%) were recorded in Munis between one month and seven months after purchase order liquidation.
 - 1 sample (4%) had not been tagged or recorded in Munis at the time of testing, although the related purchase order had been liquidated approximately three months prior.
 - 2 samples (8%) had not been tagged or recorded because Property Records personnel had not been able to access the school to physically verify and tag the asset.
 - 1 sample (4%) had not been tagged or recorded because not all components of the fixed asset had been physically received at the school, although the purchase order had been recorded as received and paid in Munis.
- Of the 25 additions selected for testing, 1 asset (4%) was recorded at a different location than the location identified in the supporting documentation. Property Records subsequently confirmed that the location identified in the supporting documentation was the appropriate location.
- Of 93 fixed assets across 9 District locations observed and traced to Munis, 3 (3%) fixed assets were identified as untagged and unrecorded at the time of the inspection.
- Fixed assets purchased by central office departments may be received centrally prior to distribution to schools. Assets are tagged at central receipt, but the receiving school is not consistently communicated to Property Records at the time of distribution, and the ultimate physical location of the asset is not updated in Munis. Of the 25 fixed assets selected from the central office inventory in Munis and physically verified, 4 (16%) had been sent to a school; however, the location in Munis had not been updated to reflect the current school location.

Criteria:

The Property Records process requires assets meeting the \$1,000 tagging threshold to be tagged as close to receipt as practical and recorded in Munis after the related purchase order has been fully liquidated. The State Mandated Fixed Asset Guidelines further require that Property Records be notified of transferred fixed assets. COSO Internal Control – Integrated Framework Principle 10 states that the District should select and develop control activities that contribute to the mitigation of risks to the achievement of objectives, including control activities designed to support the accuracy and completeness of information.

Cause:

Delays and inaccuracies in recording additions and retirements were attributed to purchase orders not being flagged in Munis with the capital asset indicator, location access limitations that prevented physical verification of the asset, competing priorities, reliance on manual processes, human error, and the lack of a consistently followed process for communicating receipt, distribution, transfer, and retirement information to Property Records. Delayed or incomplete recording of fixed asset additions, retirements, and location changes reduces the completeness, existence, and accuracy of the Munis fixed asset register at any point in time, increases the likelihood of assets being misplaced or lost prior to being tagged, and weakens safeguarding of District property.

Recommendation 8:

- ✓ Purchasing should review commodity codes that may be used for items meeting the District's fixed asset definition to ensure they are configured to automatically apply the capital asset indicator in Munis when selected.
- ✓ Strengthen the process for communicating fixed asset location and receipt information to Property Records at each point an asset changes hands, from purchase through distribution:
 - Record the receiving school and, when known, the intended room location on requisitions at the time of entry.
 - Notify Property Records upon receipt of any fixed asset meeting the \$1,000 tagging threshold and hold the asset accessible for physical verification and tagging until Property Records completes the record.
 - For centrally received assets, notify Property Records of the receiving school at the time of distribution and require schools to confirm receipt, so the Munis location field reflects the school where the asset resides.

Incorporate these expectations into the State Mandated Fixed Asset Guidelines and reinforce through the initial and recurring training and communications described in Observation 1.

Property Records Corrective Action Plan:

Property Records concurred and agreed to implement the recommendation to strengthen the process for communicating fixed asset location and receipt information to Property Records at each point an asset changes hands.

Target Implementation Date: July 1, 2027

Purchasing Corrective Action Plan:

Purchasing concurred and agreed to implement the recommendation to review commodity codes that may be used for items meeting the District's fixed asset definition.

Target Implementation Date: October 31, 2026

Observation 9:

Condition: Identification of Donated Fixed Assets (Risk Rating: Low). Donated fixed assets meeting the District's \$1,000 tagging threshold are not identified through a recurring review of centrally maintained donation information, and Property Records primarily identifies donated assets through public announcements or follow-up during subsequent physical inventories.

Criteria:

The State Mandated Fixed Asset Guidelines state that when a donated item is received, Property Records must be contacted so they can come to the school and tag the item, and further state that it is the location's responsibility to notify Property Records of any donations or gifts valued over \$999. The Procedures for Accepting Donations and Gifts require that donations of \$500 or more be approved by the Jefferson County Board of Education through submission of the Board Report Form to the Resource Development Department.

Cause:

Donated assets fall outside the standard purchase order monitoring process that Property Records relies on for asset identification, and a recurring mechanism to identify Board-approved donation activity across locations has not been established between Property Records, the Resource Development Department, and school-based staff. A previously established process for providing donation information to Property Records was discontinued following a personnel change and was not replaced. Donated assets meeting the fixed asset criteria may remain untagged and unrecorded in Munis, reducing the completeness of the fixed asset register and limiting accountability over District property obtained outside the standard purchasing cycle.

Recommendation 9:

- ✓ Establish a coordinated process with the Resource Development Department to obtain reporting of donations approved by the Jefferson County Board of Education on a defined periodic basis.
 - Review the donation report to identify items that may meet the District's fixed asset definition and \$1,000 tagging threshold. For each potentially qualifying donation, coordinate with the receiving cost center/location to confirm applicability, complete tagging, and record the asset in Munis.
 - Document and retain the review performed, the donation report obtained, and supporting communications with the receiving cost center/location.

Property Records Corrective Action Plan:

Property Records concurred and agreed to implement the recommendation to establish a coordinated process with the Resource Development Department to obtain reporting of donations approved by the Jefferson County Board of Education on a defined periodic basis.

Target Implementation Date: July 1, 2027

Observation 10:

Condition: Fixed Asset Disposition Protocol for Closures, Consolidations, or Moves (Risk Rating: Low). Fixed assets associated with cost center/location closures, consolidations, or moves may be redistributed to other cost centers/locations before Equipment Transfer Forms are completed, before Property Records is notified of the transfer, or before the final disposition of assets assigned to the closing cost center/location is confirmed. Property Records is not routinely involved in closure planning to complete a pre-closure inventory, update Munis, or confirm the final disposition of the closing cost center/location's asset population. In addition, of 93 fixed assets across 9 locations observed and traced to Munis, 1 asset (1%) was physically located at a school, despite Munis indicating its last assigned location was a closed school and its status as retired.

Criteria:

The State Mandated Fixed Asset Guidelines require use of the Equipment Transfer Form for all fixed asset transfers between locations and the Surplus Pickup Form for all removals to surplus, and state that Property Records must be informed of transferred, damaged, lost, and stolen assets. COSO Internal Control – Integrated Framework Principle 12 addresses the deployment of control activities through policies and procedures that establish expectations and support consistent execution.

Cause:

The State Mandated Fixed Asset Guidelines do not include a school closure, consolidation, or move protocol. There is not a process for a formal handoff to Property Records for tag reassignment, Munis update, or surplus processing. As a result, assets from closed, consolidated, or moved cost centers/locations may be redistributed without an audit trail, Munis records for closed cost centers/locations may remain populated indefinitely, and receiving cost centers/locations may inherit fixed asset responsibility without documentation, undermining the fixed asset register's accuracy, completeness, and safeguarding assurance.

Recommendation 10:

- ✓ Coordinate with Operations leadership to obtain a listing of planned closures, consolidations, and moves each school year.
- ✓ Develop and formalize a school closure, consolidation, and move asset disposition protocol within the State Mandated Fixed Asset Guidelines, defining required steps and coordination with Property Records at each stage:
 - Prior to the event, Property Records should provide the cost center/location's designated asset manager (per Observation 2A) with a listing of fixed assets assigned to the cost center/location in Munis, and the asset manager, in coordination with the cost center/location leader, should track and maintain awareness of asset location and disposition throughout the process.
 - Upon completion, the designated asset manager should confirm in writing to Property Records the final disposition or new location of each asset.
 - Property Records should update Munis based on the confirmed disposition, retain the supporting communications, and perform a post-event physical inventory to verify accuracy and completeness.

Property Records Corrective Action Plan:

Property Records concurred and agreed to implement the following recommendations:

- Coordinate with Operations leadership to obtain a listing of planned closures, consolidations, and moves each school year.

- Develop and formalize a school closure, consolidation, and move asset disposition protocol within the State Mandated Fixed Asset Guidelines

Target Implementation Date: July 1, 2027

Opportunities for Enhancement

Opportunities for enhancement (OFE) identify an opportunity to enhance some component of the process. These are typically low / no risk findings. Although the OFEs include recommendations, implementation of corrective actions is optional.

OFE 1:

Condition: Surplus Pickup Form Redesign (Risk Rating: Low)

The Surplus Pickup Form can be used to initiate a surplus request; however, its design does not fully reflect the current process. The form design includes signature fields for "Driver Signature" and "Warehouse Received By" that are not currently used.

Criteria: The State Mandated Fixed Asset Guidelines require use of the Surplus Pickup Form for the removal of any fixed asset from a cost center/location.

Cause: The Surplus Pickup Form has not been updated to reflect the current process. Because the form does not align with the current process, it may not consistently document who authorized the removal of an asset, when custody transferred, or whether the asset was received by the Surplus Warehouse. This limits the District's ability to trace an asset from its removal from a cost center/location through warehouse receipt and subsequent disposition.

OFE Recommendation 1:

- ✓ Redesign the Surplus Pickup Form to identify the authorized signer at the cost center/location (Principal, Cost Center Head, or Location Supervisor per Observation 5), asset pickup or transfer date, and warehouse receipt or other custody acknowledgement. Also remove unused signature fields.